Finance Council – Second Meeting
Thursday, August 12, 2004 – 9:00 a.m.

Finance Members Present:

From VITA: Austin Matthews, Karen Robinson, Barb Rudolph, Susan Woolley, Dee Pisciella, Dale Singer, Pat McCloy
Agency Reps: Bill Spiller, Pam Kamalakkanan, Joe Kapelewski, Susan McCleary, John Lawson, Helen Tarantino, Marie Williams, Jim Fisher, Bill Landsidle

Savings:

Austin Matthews, VITA CFO, gave an overview of the IT savings methodology. The underlying principle is that savings will benefit VITA's customers—state agencies and citizens of the Commonwealth alike. In the short term while VITA employs direct billing to charge agencies for the costs of providing new services, a 5.52% administrative fee is added. VITA is committed to offsetting the impact of this temporary charge by allowing agencies to retain their savings up to the value of the fee charged.

As shared services rates for new services are implemented, and replace the direct charges + admin fee, the expectation is that customers' costs will be reduced, efficiencies realized, and IT service delivery improved. Amounts that agencies save in excess of their actual expenses will be recovered and deposited in the Virginia Technology Infrastructure Fund (VTIF) as mandated by the Code of Virginia and certified by the Auditor of Public Accounts (APA).

VITA is charged with keeping track of all IT savings realized by state agencies.   This includes monitoring and recording progress on 15 "quick win" projects.   Determining legitimate savings and using them as offsets to the admin fee and budget transfers to the VTIF generated a great deal of discussion.   Some of the specific concerns evinced by agency representatives were:

❖ What is the mechanism for agencies to retain savings? ***They will accrue to agencies via rate reductions or lowered procurement costs.***
❖ How will savings be assessed by agency, relative to offsetting the 5.52% admin fees charged? ***VITA will attempt whenever possible to "level" savings so all or most agencies achieve the desired offset of savings vs. additional costs.***
❖ Who will determine the accuracy of savings amounts identified? ***VITA and affected agency will collaboratively review/agree upon savings; by Code mandate the APA certifies savings.***
❖ What about the downside of savings, i.e. does an agency "shoot itself in the foot" by reducing IT costs only to subsequently lose the savings? ***VITA and affected agency will collaboratively review/agree upon savings; focus is on enterprise-wide savings and economies of scale, not cost savings that***

benefit a single agency; agencies receive benefit from IT reinvestment initiatives funded with those savings

- ❖ How will the baseline IT expenses for calculating savings be figured? ***VITA and each agency will collaboratively review budgeted and unbudgeted IT expenses, IT equipment life cycles, etc., to develop baseline.***
- ❖ Who will determine the appropriateness of recovering savings from the general fund, special fund revenue, federal funds? ***VITA and affected agency will collaboratively review/agree upon savings; VTIF Code language specifically excludes federal funds from deposit therein.***

Billing:

Karen Robinson, VITA Comptroller, reviewed two spreadsheets showing detailed billing information. She noted that both these reports include requisition numbers as a common element. VITA direct billing information is matched to information in eVA. Agency representatives expressed several concerns about VITA billing, particularly regarding the several separate bills that are now being sent to agencies and the absence of adequate tools to analyze the veracity of VITA's savings calculations.

In response, Karen stated that she is working with management in VITA's Supply Chain Management Division (responsible for IT procurement) to develop a comprehensive instruction program describing the billing workflow. This information will address the many questions agencies have brought up, and will be initiated in September, if possible. Further, the Financial Management Services Division will work on developing reports that provide additional information on billing amounts that will enable agencies to more thoroughly review and verify VITA bills.

Communication:

Austin noted that VITA's communications office wants the permission of council members to photograph a meeting or meetings to include with information on the council on VITA's web site. The members agreed to this. Also, it was suggested that the web site include a link directing visitors to information on the Finance Council. [Note: this has been accomplished.]

Next Meeting and Topics:

By group consensus, the next Council meeting will be scheduled in October. Topics suggested for inclusion are followup on savings, followup on billing, and information on rate setting. Members are encouraged to suggest other topics by contacting Pat McCloy at Pat.McCloy@vita.virginia.gov.